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Grande Cache Commission (Crump Report) R
Review. 1



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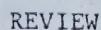
GRANDE CACHE COMMISSION

(CRUMP REPORT)

REVIEW

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ENVIRONMENT

Environmental Coordination Services

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Office of
the Assistant Deputy Minister

March 21, 1974

Honourable Dr. A. E. Hohol
Minister of Manpower and Labour
423 Legislative Building
Edmonton, Alberta

Sir:

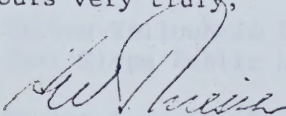
Re: Grande Cache Commission Report

In a memorandum from the Honourable W. J. Yurko dated January 24, 1974 the Cabinet Committee of Ministers reviewing this report requested the assistance of the Conservation and Utilization Committee in preparing a technical review of the report recommendations. This technical review of the report thereon was to be completed by the end of March and submitted directly to yourself as Chairman of the Cabinet Review Committee.

The Conservation and Utilization Committee has completed its technical review of the Commissioner's recommendations. The Committee's review is summarized in the accompanying report. Each recommendation was reviewed in detail, having regard to the magnitude of its impact on current government policy, the types of action required to carry out the recommendation, as well as the timing and budgetary implications of the recommendations.

The Committee was assisted in its technical review by the Departments of Manpower and Labour, Education, and Federal and Intergovernmental Affairs as well as the Worker's Compensation Board, the Alberta Housing Corporation, and the Northern Development Group.

Yours very truly,


H. W. Thiessen
Assistant Deputy Minister

KRS/lmh

Encl.

SUMMARY

The Grande Cache Commission Report raises two major policy issues:

1. The maintenance and diversification of the economic base of the Town of Grande Cache, and
2. The nature of the government-developer partnership relationship in the resource development.

The Committee wishes to comment on these two policy issues.

The Commission recommended numerous measures to maintain and diversify the economic base of the town, including:

1. The promotion of the area for tourists and the development of facilities amenable to the development of wilderness areas;
2. The promotion of amenities situated in the area with a view to exposing its possibilities as a center for seminars, small conventions or for moderate research facilities;
3. Not supporting the routing of the proposed Highway 40 through Grande Cache;
4. Restricting the development of tourist facilities along the new Highway 40;
5. Centering forestry operations in Grande Cache;
6. The review of coal royalties; and
7. The reinstatement of the \$1.40 per ton rental figure on rail transport.

Some of these recommendations appear to be somewhat contradictory and their long term implications require further examination. The Committee recommends that decisions on these issues be deferred until September, 1974 pending the completion of several ongoing studies. These studies include:

<u>Study</u>	<u>Agency</u>	<u>Expected Completion Date</u>
Hinton-Yellowhead Land Use East Slope Public Hearings	Provincial Planning Branch Environment Conservation Authority	August 1974 August 1974
Forest Resource Development Willmore Wilderness Task Force	Alberta Forest Service Lands and Forests	July 1974 March 1974
Tourist Potential	Travel Alberta	March 1974

The Committee would be pleased to coordinate the preparation of a recommended Grande Cache Development Strategy for submission to the government by September 30, 1974. This strategy would incorporate the total resource potential of the area rather than placing primary emphasis on coal development.

The future roles and responsibilities of both the developer and the government in the development of the coal resources at Grande Cache need clarification. The Committee suggests that, in conjunction with preparation of a development strategy for Grande Cache, a working agreement between McIntyre Porcupine Mines and the Province be developed which clarifies the roles and responsibilities of each in the resource development. This agreement should document for the benefit of the government, the company and the public, the various special obligations and responsibilities of the provincial government and McIntyre Porcupine Mines in order that uncertainty and confusion can be removed. This should improve the socio-economic climate of the Grande Cache community.

Since the Grande Cache Commission Report is an examination of previous government decision making, it is important that we learn from our mistakes. The Committee strongly supports the Commissioner's recommendations regarding independent feasibility analysis of resource developments and the need for prior assessment of the protected benefits and cause to government and the public prior to investing in the development. Similar situations to Grande Cache (Consolidated Coal at Nordegg, and Shell and Petrofina in the oil sands) are eminent and prior analysis as suggested by the Commissioners appears to be most appropriate before substantial government funds are committed for new towns, roads, utilities, and other infrastructure costs.

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CONSERVATION AND UTILIZATION COMMITTEE
GRANDE CACHE COMMISSION (GRUMP REPORT) REVIEW

March, 1974 (1)

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PAGE NO.	RECOMMENDATION	IMPACT				ACTION			TIMING		BUDGET		COMMENTS	
		Major	Significant	Minor	Legislative	Regulatory	Administrative	Urgent	Immediate	Short Term	Long Term	Major (over \$1,000,000)		Minor (under \$1,000,000)
111	steps to be taken to ensure that obligation undertaken by the company to buy back employee houses be guaranteed or assured by the Company.	x				x			x				x	AGREE. This recommendation is not as critical now that mining operations have resumed. Unoccupied houses in the townsites should be examined by Alberta Housing Corporation as a means for providing low cost housing to natives.
112	the provincial government take steps to secure appropriate dispensation from the federal authorities to permit the coal producers to cooperate (if they wish to do so) in negotiations with cartels and that the province assist in coordinating these negotiations.	x		x			x						x	AGREE. This recommendation involves the question of strategy in terms of Federal-Provincial relations on energy matters. Federal legislative action may be required.
113	If federal co-operation were not forthcoming, the province could, as a last resort, canvass the possibility of a marketing board, which would not be subject to the anti-combines legislation.	x		x			x						x	AGREE. A coal marketing board may facilitate foreign trade with Iron Curtain countries and Japan.
114	Whenever the exploitation of a mineral resource is to be undertaken by a program which involves financial commitments by the state, the government should undertake an independent investigation of the feasibility of the project having regard to the extent of government involvement whether as a resource owner or investor. Provincial resources ought not to be committed without such an investigation.	x				x	x						x	AGREE. This recommendation should be applied to oil sands operations as well. "Provincial resources" is interpreted by the Committee to mean "financial" resources.

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PAGE NO.	RECOMMENDATION	IMPACT				ACTION				TIMING			BUDGET		COMMENTS
		Major	Significant	Minor	Legislative	Regulatory	Administrative	Urgent	Immediate	Short Term	Long Term	Major (over \$1,000,000)	Minor (under \$1,000,000)	Nil	
115	in the future, the province make an assessment of the projected benefits and costs to the state, and consider the extent to which an assurance from the developer is warranted before provincial funds are committed.	x						x	x				x		AGREE. This recommendation is particularly significant in light of the possibility of another new town in the Ft. McMurray area. The form and content of the assurance should be determined on the basis of the feasibility and benefit-cost study.
116	the powers in The Coal Conservation Act to require approval or consent to closures be implemented and that the Board, in considering the desirability of closure of a mine, may have regard to the interests of the community as well as to considerations of economy, conservation and safety, and that the bonds and leases be conditioned upon observance of the requirements of the Act.														IN EFFECT. Approval of mine closures are already being implemented through The Coal Conservation Act. Mineral leases are not conditional on the lessee complying with other Acts. This is taken as understood.
116	the Company be obligated, either as a condition of the renewal of the leases, or as a condition of further development permits, to undertake to continue underground mining to a proportion fixed by the Energy Resources Conservation Board, and it appears to us that sufficient coal should be mined to ensure the continued employment of the present underground staff. Consideration may be given to having this obligation secured by bond.		x				x								This recommendation is severely constrained by the realities of economic parameters. Would government subsidize such underground mining to achieve employment objectives? Timing and budget implications of this recommendation are a function of mining economics.

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PAGE NO.	RECOMMENDATION	IMPACT				ACTION		TIMING		BUDGET		COMMENTS				
		Major	Significant	Minor	Legislative	Regulatory	Administrative	Urgent	Immediate	Short Term	Long Term		Major (over \$1,000,000)	Minor (under \$1,000,000)	Nil	
116-17	the government assure the community that it will, if necessary, take steps to ensure the mine's operation for at least 10 years and that it will make its best efforts to ensure exploitation considerably beyond that period through the replacement of the existing lessee if it fails to efficiently exploit the resource. If necessary, renewals of leases or permission to open up mines may be made conditional upon the Company's agreeing to surrender a reasonable sum having regard to the depreciated cost and the value to the purchaser.	x		x										Economics also constrain this recommendation. If the current operator is experiencing difficulty so might any replacement. Lease conciliation is administratively possible if the lessee fails to develop the resource. The Alberta Energy Company could become involved.		
117	the province assume the new Town's inventory of unsold land, as requested by the Board of Administrators.													IN EFFECT as per Minister's meeting in Grande Cache on February 13, 1974.		
117	the government reduce the debt burden on Grande Cache to a point where the average local per capita taxation is equal to the average local per capita taxation of all Alberta towns. This would be an annual adjustment and leave the per capita debt at about twice the level of Alberta towns.													IN EFFECT as per Ministerial meeting in Grande Cache on February 13, 1974.		
118	the province continue to fund its activities incidental to the maintenance of the New Town of Grande Cache for so long as the mines operate.													IN EFFECT as per Ministerial meeting in Grande Cache on February 13, 1974.		

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CONSERVATION AND UTILIZATION COMMITTEE GRANDE CACHE COMMISSION (CRUMP REPORT) REVIEW														March, 1974 (4)	
PAGE NO.	RECOMMENDATION	IMPACT			ACTION			TIMING			BUDGET		COMMENTS		
		Major	Significant	Minor	Legislative	Regulatory	Administrative	Urgent	Immediate	Short Term	Long Term	Major (over \$1,000,000)		Minor (under \$1,000,000)	Nil
118	the province pay the annual reimbursement necessary to meet debt charges (principal and interest) on the ineligible portion of the debt until the population reaches 4,000.													IN EFFECT as per Ministerial meeting in Grande Cache on February 13, 1974. Details are under consideration by the Department of Education.	
118	the Department of Education continue to make grants to meet the necessary budget requirements of the school system without supplementary requisition on the taxpayers.													IN EFFECT as per Ministerial meeting in Grande Cache on February 13, 1974. Details are under consideration by the Department of Education.	
118	there be no change in the form of government of the community unless and until it has achieved a population which obviates the necessity for special assistance from the province.													IN EFFECT as per Ministerial meeting in Grande Cache on February 13, 1974.	
119	the province undertake the promotion of the area for tourists and the development of facilities amenable to the development of wilderness areas. The Department of Lands and Forests should undertake the provision of facilities consistent with the planning for the general area and Willmore Wilderness Park in particular.	x				x	x				x			NO DECISION should be made prior to the completion of on-going studies this September as detailed in the introductory comments.	
119	the government undertake promotion of amenities situated in the area with a view to exposing its possibilities as a centre for seminars, small conventions or for moderate research facilities.	x				x	x				x			NO DECISION prior to September, 1974.	

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PAGE NO.	RECOMMENDATION	IMPACT							ACTION	TIMING				BUDGET	COMMENTS
		Major	Significant	Minor	Legislative	Regulatory	Administrative	Urgent	Immediate	Short Term	Long Term	Major (over \$1,000,000)	Minor (under \$1,000,000)	Nil	
119-20	the highway from Hinton to Grande Cache be hard surfaced and maintained as a highway.	x				x		x			x				ACRE. Paving is to be started this year on the first section of the highway.
120	we cannot recommend the routing of the proposed Highway 40 through Grande Cache.	x				x	x				x				NO DECISION prior to September, 1974.
120	the development of tourist facilities along the new Highway 40 be restricted so that any duplication of facilities available at Grande Cache be allowed only where strictly necessary to meet the needs of the traveller and that Grande Cache be designated as the service centre for the highway. In particular, we suggest that the only permitted commercial facilities be a service station or service stations and then only if considered necessary.	x				x	x				x				NO DECISION prior to September, 1974.
120	the Department of Lands and Forests take immediate steps to ensure the exploitation of the forest resources, such exploitation to be conditional upon the operations being centred at or near Grande Cache.	x				x		x			x				NO DECISION prior to September, 1974. The Alberta Forest Service is carrying out a study to determine the best development of the timber resources in a large area extending from Grande Cache to north of Edson. A major component of this study is the assessment of the optimal mix of types of operations and their location in the area, with Grande Cache being only one alternative.

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AGE NO.	RECOMMENDATION	IMPACT				ACTION				TIMING			BUDGET		COMMENTS
		Major	Significant	Minor	Legislative	Regulatory	Administrative	Urgent	Immediate	Short Term	Long Term	Major (over \$1,000,000)	Minor (under \$1,000,000)	Nil	
120-21	the Native Area Development Committee be assured of reasonable grants in the order of \$50,000 per annum for a period of 5 years.		x			x		x					x		The amount and timing of grants are currently under discussion by the Northern Development Group.
121	the province encourage all efforts to develop a register of reserves, subject to periodic review, having regard to physical and economic constraints, as a necessary feature of rational resource development.														IN EFFECT by the Energy Resources Conservation Board.
121-22	the Energy Resources Conservation Board be empowered to collect geological data from all mining operations and that the information be available to the Board for its functions, but that confidential information be kept confidential for a reasonable time from third parties.														IN EFFECT by the Energy Resources Conservation Board.
122	the Energy Resources Conservation Board be empowered under The Coal Conservation Act to require the Company to keep it fully informed of its plans for the exploitation of all the reserves within its leases.														IN EFFECT by the Energy Resources Conservation Board.
122	the Board be empowered and given the resources to investigate the long range plans for the area.														IN EFFECT by the Energy Resources Conservation Board.

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CONSERVATION AND UTILIZATION COMMITTEE GRANDE CACHE COMMISSION (GRUMP REPORT) REVIEW													March, 1974		(7)
PAGE NO.	RECOMMENDATION	IMPACT						ACTION			TIMING		BUDGET	COMMENTS	
		Major	Significant	Minor	Legislative	Regulatory	Administrative	Urgent	Immediate	Short Term	Long Term				
123	the province encourage technological research for the benefit of all operators; and that it encourage the operators to cooperate in technological research, particularly the mining of the steeply pitched seam areas.													IN EFFECT. This is already being done by Alberta Research, the Energy Resources Conservation Board, Mines and Minerals, etc.	
123	the Energy Resources Conservation Board continue to keep appraised of demands and markets and to investigate the economic feasibility of proposals to open any new mine within the province with reference to its studies, as well as those of any applicant.													IN EFFECT by the Energy Resources Conservation Board.	
123	the Board be authorized and empowered to participate in studies for the development of coal potential.													IN EFFECT. The research role implied by this recommendation is currently fulfilled by Alberta Research.	
124	the immediate implementation of The Coal Conservation Act in relation to existing and new mines, with a view to maximum utilization of the resource. The onus of establishing that a given seam or part of a seam influenced by mining operations is not economically workable must be placed on the lessee.													IN EFFECT by the Energy Resources Conservation Board.	

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CONSERVATION AND UTILIZATION COMMITTEE GRANDE CACHE COMMISSION (GRUMP REPORT) REVIEW										IMPACT		ACTION		TIMING		BUDGET		COMMENTS
PAGE NO.	RECOMMENDATION	Major	Significant	Minor	Legislative	Regulatory	Administrative	Urgent	Immediate	Short Term	Long Term	Major (over \$1,000,000)	Minor (under \$1,000,000)	Nil				
124	the September, 1968, leases, Number 6599 to 6613, be made subject to any conditions that the government sees fit to impose on new operations, so that they are not taken as being subject to vested contractual rights.	x				x		x				x			Under review by Department of Mines and Minerals.			
125	the province undertake a review of coal royalty with a view to relating metallurgical coal royalty to the value of the commodity.	x			x				x			x			AGREE. Royalties on oil and gas have received priority by the Energy Committee. Positive revenue.			
125	the province give consideration to applying a royalty to the sale of coal products to Alberta Power Ltd.		x			x			x				x		AGREE A matter of principle that royalties be applied on all coal.			
125	in the future, negotiations regarding transport costs should be carried out with the involvement of the A.R.R.	x				x		x				x						
126	the Law Officers of the Crown review the commitment given by the C.N.R. to the A.R.R., with a view to reinstating the original rental figure of \$1.40 per ton. Unless a new special case can be made out, the \$1.40 rate should be reinstated. We would recommend that such reinstatement not apply to the present two year contract which expires in 1975.	x				x					x				AGREE. Timing must be related to production.			

March, 1974

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March, 1974 (9)

CONSERVATION AND UTILIZATION COMMITTEE GRANDE CACHE COMMISSION (CRUMP REPORT) REVIEW														March, 1974 (9)	
PAGE NO.	RECOMMENDATION	IMPACT		ACTION			TIMING			BUDGET		COMMENTS			
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126	in future C.N.R. - A.R.R. negotiations, both aspects of shortfall and escalation be subjects for negotiation.	x				x		x			x			AGREE. Sound management practice.	
127	the government obtain reasonable assurances of continuous rather than the intermittent production, even though the Company is engaged in short term sale contracts. If necessary, renewals of leases or permission to open up new mines should be made conditional upon these assurances.	x			x		x						x	AGREE. With respect to the Milner plant, coal quality and not continuous production is the issue. Although continuous production is desirable from the view of the community interest, the recommendation is constrained by economic parameters.	
127	consideration be given to permitting an appeal to the Supreme Court of Alberta, Appellate Division, on matters of law or jurisdiction and to the Lieutenant Governor in Council, or its delegate, to review matters of fact (with the leave of the Lieutenant Governor in Council).													DISAGREE. Questions of law are already subject to appeal procedures under The Energy Resources Conservation Act. Matters of fact should not be subject to appeal.	
128	the procedures in the Inspection Branch of the Energy Resources Conservation Board be reviewed to ensure that union safety committees can make reasonable requests for inspection by senior personnel and that the employees are made aware of this procedure.	x		x			x						x	AGREE. This is included in the proposed Coal Mines Safety Act scheduled for the spring 1974 Legislative session.	
128	there be liaison between the Energy Resources Conservation Board and the Workers' Compensation Board to obtain the benefit of the latter's expertise in developing programs for the prevention of industrial accidents.													IN EFFECT. liaison does exist and W.C.B. and E.R.C.B. working relations are the subject of an inter-agency roles document.	

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CONSERVATION AND UTILIZATION COMMITTEE GRANDE CACHE COMMISSION (GRUMP REPORT) REVIEW										March, 1974		(10)			
PAGE NO.	RECOMMENDATION	IMPACT			ACTION			TIMING			BUDGET	COMMENTS			
		Major	Significant	Minor	Legislative	Regulatory	Administrative	Urgent	Immediate	Short Term			Long Term	Major (over \$1,000,000)	Minor (under \$1,000,000)
129	the Energy Resources Conservation Board should be the final arbiter on environmental matters, subject to proper appeals or review, and subject to their being provided with expertise on environmental matters, both through internal staff and through the Department of the Environment.														DISAGREE. The Committee does not support this recommendation. The E.R.C.B., Departments of the Environment, Lands and Forests, etc. are working closely together to integrate resource development and environmental quality.
129-30	in all matters referred to in this report that come before the Board, that there be an appeal to the Supreme Court of Alberta, Appellate Division, on matters of law or jurisdiction and to the Lieutenant Governor in Council, or its delegate, to review matters of fact (with the leave of the Lieutenant Governor in Council).														DISAGREE. Appeals are available on matters of law matters of fact should not be the subject of appeal.
132 (Minority Report)	Whenever an industrial project (the recommendation on page 114 reads "the exploitation of a mineral resource) is to be undertaken by a program which involves financial commitments by the state, the government should undertake an independent investigation of the feasibility of the project having regard to the extent of government involvement whether as a resource owner or investor. Provincial resources ought not to be committed without such an investigation".	x				x		x					x		AGREE. The Committee strongly supports the principle and should be expanded to apply to all integrated resource developments.

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PAGE NO.

RECOMMENDATION

IMPACT	ACTION	TIMING	BUDGET
Major			
Significant			
Minor			
Legislative			
Regulatory			
Administrative			
Urgent			
Immediate			
Short Term			
Long Term			
Major (over \$1,000,000)			
Minor (under \$1,000,000)			
Nil			

COMMENTS

Where an elected or appointed representative of mine employees disputes a decision, order or direction of the Regional E.R.C.B. representative, he shall immediately refer the matter to the Board. Also require the posting of a copy of the new Coal Mines Safety Act (spring, 1974)

ACREE.
Is included in proposed Coal Mines Safety Act for spring session.



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